



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

January 13, 2026

Honorable Marvin Lim  
State Representative  
611-B Coverdell Legislative Office Building  
Atlanta, GA 30334

SUBJECT: Fiscal Note  
House Bill (LC 62 0251)

Dear Representative Lim:

The bill would make multiple changes to state income and sales taxes in Georgia. Section 1 of the bill would repeal the state income tax exclusion of Global Intangible Low-Taxed Income (GILTI), while Section 2 would tax capital gains on the sale or exchange of property held by a taxpayer in a qualified opportunity zone. Sections 3 and 4 would add computer software delivered electronically to the sales tax base by adding computer software to the definition of ‘other digital goods’ and repealing the sales tax exemption for the sale of prewritten computer software transferred electronically to the purchaser.

The subject bill would become effective upon enactment, with sections 1 and 2 applicable to taxable years beginning on or after January 1, 2027.

## Impact on Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would increase revenue as shown in Table 1. The appendix provides details of the analysis.

**Table 1. State Revenue Impact for LC 62 0251**

| (\$ millions)   | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---------|---------|---------|---------|---------|
| Repeal of GILTI Exclusion   |         |         |         |         |         |
| State Revenue Effect (Upper Bound)  | \$173.6 | \$174.6 | \$181.3 | \$187.4 | \$193.9 |
| Taxation of Capital Gains for Sale of Qualified Opportunity Zone Property |         |         |         |         |         |
| High Estimate   |         | \$99.8  | \$99.8  | \$99.8  | \$99.8  |
| Low Estimate  |         | \$78.8  | \$78.8  | \$78.8  | \$78.8  |
| Inclusion of Computer Software in Sales Tax Base                          |         |         |         |         |         |
| State Revenue Effect  | \$348.8 | \$359.1 | \$368.4 | \$377.7 | \$387.4 |
| Total State Revenue Effect  |         |         |         |         |         |
| High Estimate   | \$522.4 | \$633.4 | \$649.5 | \$664.8 | \$681.0 |
| Low Estimate  | \$522.4 | \$612.4 | \$628.5 | \$643.8 | \$660.0 |

## Impact on Expenditures

The Department of Revenue would be able to implement the bill’s provisions with existing resources.

Respectfully,

A handwritten signature in blue ink, appearing to read "Greg S. Griffin".

Greg S. Griffin  
State Auditor

A handwritten signature in black ink, appearing to read "Richard Dunn".

Richard Dunn, Director  
Office of Planning and Budget

GSG/RD/mt

Analysis by the Fiscal Research Center

Section 1. Repeal of the Global Intangible Low-Taxed Income Exclusion

Section 1 of the bill amends O.C.G.A. § 48-7-21(b) so as to tax certain foreign-source corporate income. Under current state law, corporations subject to tax in Georgia are allowed an exclusion from state taxable income for any income classified as Section 951A income under the Internal Revenue Code (IRC) of 1986, also referred to as Global Intangible Low-Taxed Income (GILTI). The bill would effectively repeal that exclusion.

Prior to the passage of the Tax Cuts and Jobs Act (TCJA) of 2017, this foreign-source income of US corporations was not taxed until it was paid by a foreign corporation to the US corporation in the form of a dividend. Thus, tax on this income was deferred until it was paid to the US corporate shareholder. TCJA modified the treatment of this income such that it became taxable as if it had been paid as a dividend. However, IRC Section 250, in part, allows a deduction of 50 percent of GILTI from federal taxable income (reduced to 37.5 percent in 2026). In 2018, Georgia conformed its tax code to many of the provisions in the federal tax code resulting from the passage of TCJA but elected not to tax GILTI income at the state level—the exclusion from taxable income therefore creating a tax expenditure for the state for exempting income that was not taxable before 2018.

This provision in LC 62 0251 would modify the state tax code to conform to the federal code such that Section 951(A), or GILTI, income would be included in state taxable income but net of the Section 250 deduction. The estimated revenue gains from Section 1 of the bill are thus equal to the current-law tax expenditure estimates for the exclusion of GILTI, which are based on the federal Joint Committee on Taxation (JCT) estimates of the related federal tax expenditure through FY 2031, shared down to Georgia. These estimates are shown in Table 2.

There are two important items of note concerning these estimates. First, the passage of the One Big Beautiful Bill Act (HR 1) substantially restructured GILTI, but Georgia has yet to conform to the federal changes and, therefore, the estimates here do not include HR 1 changes. Second, these estimates should be considered an upper bound of revenue gains. Based on discussions with DOR, it is likely that attempts to tax foreign income through GILTI would encourage taxpayers to adjust their financial holdings, where possible, such that income made taxable by this provision would be attributed to another state with a more favorable tax treatment and thus not subject to taxation in Georgia.

Table 2. Repeal of GILTI Exclusion

| (\$ millions)        | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|----------------------|---------|---------|---------|---------|---------|
| State Revenue Effect | \$173.6 | \$174.6 | \$181.3 | \$187.4 | \$193.9 |

Section 2. Taxation of Gains on Qualified Opportunity Zone Property

Section 2 of the subject bill proposes to tax capital gains from the sale or exchange of property held by a taxpayer in a qualified opportunity zone (QOZ). IRC section 1400-Z defines QOZs and provides for preferential tax treatment of investment in these areas, under certain conditions. To understand how the subject bill interacts with federal law and how it may impact state revenues, additional context around the existing policy is useful.

In December 2017, TCJA created qualified opportunity zones and allowed for preferential tax treatment of certain investments in these areas with the goal of inducing development in economically distressed areas. The policy allowed a taxpayer to defer taxation on prior eligible capital gains by reinvesting those gains into a qualified opportunity fund (QOF), an investment vehicle which primarily invests in property located in a QOZ. Taxation on the prior gains could be deferred until the earlier of the sale of the QOF investment or December 31, 2026. Holding the QOF investment for at least five years allows the taxpayer a 10-percent exclusion of the deferred gain. Holding the QOF investment for at least 10 years allows the basis of the QOF investment to be adjusted to the fair market value of the investment at

the time of sale or exchange, resulting in no taxation on any appreciation of the QOF investment.

While this policy was originally set to expire at the end of tax year (TY) 2026, it was modified and extended indefinitely under OBBBA. Effective in TY 2027, the preferential tax treatment of these investments becomes permanent, and deferrals are put on a five-year rolling basis. Additional basis adjustments to the prior deferred gains will be available for certain rural QOZ investment. The full exclusion of gains on QOF investments, if held for 10 years, remains intact.

LC 62 0251 proposes to subject all gains on property sold within a QOZ to state income tax, which would partially decouple the state from federal income tax policy. Taxpayers investing in a QOF would still receive federal tax benefits and at the state level could still defer the previous eligible gains for up to five years and receive a partial exclusion on those deferred gains. However, the primary tax benefit of a full exclusion of QOF appreciation after 10 years would no longer apply to state income tax.

This change would clearly increase state revenues, as income that can be excluded under current law would become taxable at the state level. However, the magnitude and timing of the revenue increases are highly uncertain, and data necessary to estimate the effect precisely are not currently available.

JCT produces estimates of federal tax expenditures, and the most recent estimates project costs through federal FY 2029. As this policy was not fully implemented until mid-2018, no investors have held a QOF investment for 10 years, and thus, no investors have realized the largest tax savings associated with this policy. Assuming the FY 2028 and 2029 JCT estimates account for the full exclusion, we can provide a rough estimate of the state revenue impact. JCT estimates indicate the federal tax expenditure cost of this provision will be approximately \$12.1 billion in FY 2028 and \$10.6 billion in FY 2029. Using the average typical federal capital gains tax rate for individuals (15 percent) to calculate the implied tax base and sharing to Georgia using the state's share of private GDP, we estimate a state tax expenditure cost of approximately \$105 million in TY 2028 under current policy.

A report published by the US Treasury indicates that 75 to 95 percent of the federal tax benefits from this policy would be associated with the exclusion of capital gains on QOF investments held for 10 or more years. Applying these shares to the above estimate implies increased state revenue in the range of \$78.8 to \$99.8 million. These estimates are highly sensitive to the unknown assumptions in the JCT estimates, and actual revenue increases would be highly dependent on investor participation, investor timing choices, market rates of return, and numerous other factors that cannot be reliably predicted at this time.

Given the available information, it is not feasible to reliably estimate a trend or how revenues from this provision will grow. Thus, it is assumed that the revenue gains will be constant for each year in the estimation window.

### **Sections 3 and 4. Repeal Sales Tax Exemption on Computer Software**

Sections 3 and 4 propose to add computer software to the definition of 'other digital goods' and to repeal the sales tax exemption for the sale of prewritten computer software transferred electronically to the purchaser. Together, these sections effectively add the sale of all computer software (other than software delivered in physical form, which is currently taxable) to the sales tax base, increasing state revenues.

The estimates of the associated revenue increases rely on data from IBISWorld, a business research firm. IBISWorld data on the Software Publishing (NAICS 51121) and the Computer and Computer Peripheral Equipment and Software Merchant Wholesalers (NAICS 42343) industries indicate US revenues from sales of software in 2025 totaled approximately \$398.6 billion. Using the estimated revenue shares coming from Georgia for each industry implies software revenue of approximately \$8.39 billion in the state for 2025. This amount is projected forward using the industry growth rates projected by IBISWorld through 2031 and converted to fiscal years assuming a 50/50 fiscal split. Based on

conversations with DOR and ancillary research, it is believed that substantially all software is transferred electronically. These estimates assume that all software is transferred electronically. To the extent that a small portion is transferred in a physical form, the estimates may slightly overstate the revenue increases associated with software's inclusion in the sales tax base.

Table 3 shows the estimated spending on computer software from the two methodologies described above.

**Table 3. Estimated Taxable Spending on Computer Software**

| <i>(\$ millions)</i> | <b>FY 2027</b> | <b>FY 2028</b> | <b>FY 2029</b> | <b>FY 2030</b> | <b>FY 2031</b> |
|----------------------|----------------|----------------|----------------|----------------|----------------|
| Taxable Spending     | \$8,721        | \$8,977        | \$9,211        | \$9,442        | \$9,684        |